

Dear Business Owner

The following information is in regards to the collection of sales tax and the Brian Head Retail Business License Enhancement fee.

Anyone operating a business in Brian Head is required to have both a Business License from Brian Head Town and a Sales Tax account number from the Utah State Tax Commission. Sales taxes are then collected on sales and remitted to the state monthly or quarterly, depending on your sales volume. At the same time, a Business License Enhanced Services Fee of 1.5% is collected and remitted to the town quarterly. Please see the Sales Tax Advisory attached to this letter.

You will also find a copy of the Brian Head Town Quarterly Report Form attached to this letter. Copies of this form are also available at [www.brianheadtown.utah.gov](http://www.brianheadtown.utah.gov). This form is required to be filed with the town within 30 days after the end of each calendar quarter, along with a check for 1.5% of taxable sales. A copy of your completed state form from the TC62 series should be attached to the Brian Head Town Quarterly Report Form.

Current state sales tax rates as of **October 2008** are as follows:

- 3% for food
- 7.8% for retail
- 8.8% for restaurants
- 12.05% for lodging

Please be aware that sales tax rates change from time to time and **IT IS YOUR RESPONSIBILITY TO COLLECT THE CORRECT AMOUNT**. Your state forms showing the correct rate typically do not arrive until the end of the quarter. To determine the correct rate, please go to [www.tax.utah.gov/sales/rates.html](http://www.tax.utah.gov/sales/rates.html), select the appropriate time period and find the rate for Brian Head which is listed under Iron County. Retailers need only look at the Combined Taxes table but lodging and restaurant business must also look on the Other Taxes table.

If you have any questions or should need additional information regarding this matter, please do not hesitate to contact the Utah State Tax Commission or myself at the Town offices during normal business hours.

Respectfully,  
***Brian Head Town***

Nancy Leigh  
Town Recorder/Business Licensing

# BRIAN HEAD SALES TAX AND FEE ADVISORY

It has come to the Town's attention that there has been some confusion regarding the collection of sales tax and the Brian Head Business License Enhancement Fee, and two common errors have been encountered. One error concerns state sales taxes on the town's Business License Fee. The second concerns the State's requirement that the retail fee be identified separately on the customer receipt.

Because of the specific provisions of the state statute, the Brian Head Business License Fee (BLF) is part of the taxable sales that must be reported to the state. In other words, the 1.5% BLF should be added to the value of the merchandise before applying the sales tax rate. Or to put it still another way, the sales amount for the TC62 forms for the state of Utah should be the sum of your taxable sales and the Brian head BLF. Consequently, if you are combining the BLF and the tax rate, effectively applying them to the same sales base, and you are audited by the state, they will assess you for state sales tax on the amount of BLF collected under this common method. If this happens to you, you will have to pay 3%, 7.8%, 8.8% or 12.05%\* of the amount of BLF you have collected for the last three years and possibly some interest and penalties to boot.

To avoid this, either the BLF should be calculated and added to the sale prior to calculating the state sales tax or a compound rate should be used that results in the same amount. As of July 2008, the correct compound rates are 3.045% for food, 7.917% for retail, 8.932% for restaurants and 12.231% for lodging.

## EXAMPLE:

	<u>Food</u>	<u>Retail</u>	<u>Restaurant</u>	<u>Lodging</u>
Amount of Sale	\$10.00	\$10.00	\$10.00	\$10.00
Brian Head BLF	.15	.15	.15	.15
Sales Tax Base	\$10.15	\$10.15	\$10.15	\$10.15
Sales Tax	.30	.79	.89	1.22
Total Sale	\$10.45	\$10.94	\$11.04	\$11.37

The second issue is a failure to comply with a state law requiring that a receipt showing the exact amount of tax paid being given to each customer. Since the BLF is not actually part of the tax, **it needs to be shown separately on the receipt**. A receipt showing the combined amount paid does not meet this requirement, so you will need to calculate and show the BLF fee and sales taxes separately.

\*current rates as of July 2008